UNITED
NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1994/35
16 July 1994

ORIGINAL: ENGLISH

Third regular session 1994
October 1994, New York
Item 4 of the provisional agenda

UNDP FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995

Report of the Administrator

SUMMARY

The revised budget estimates for the 1994-1995 biennium for core activities amount to $380.0 million gross and $343.3 million net. In net terms, this represents a decrease of $9.2 million (2.6 per cent) in relation to the original appropriation approved in 1993. The revised estimates for programme support and development activities (PSDA) amount to $199.4 million. This represents a decrease of $9.1 million (4.4 per cent) and takes into account volume reductions for the Office for Project Services (OPS) and the United Nations Volunteers (UNV). Total revised estimates of trust funds amount to $28.5 million. This represents a decrease of $2.2 million (7.3 per cent) and takes into account a volume reduction for the United Nations Revolving Fund for Natural Resources Exploration and the United Nations Fund for Science and Technology for Development (UNRFNRE/UNFSTD). The revised estimates for the core and non-core activities as a whole thus amount to $607.9 million gross and $571.2 million net. In net terms, this represents a total decrease of $20.5 million or 3.5 per cent.

In compliance with requests by the Governing Council, the report of the Administrator also contains reports relating to: (a) the regional service centre concept; (b) the UNDP field presence in the Baltic States and the Commonwealth of Independent States; and (c) the piloting of short-term, non-permanent contracts.

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 3	3
I. REVISED 1994-1995 BUDGET ESTIMATES	4 - 13	4 - 6
A. Cost adjustments	4 - 8	4
Table A. Summary of 1994-1995 biennial budget estimates		5
B. Volume adjustments	9 - 13	4 - 6
II. OTHER MATTERS	14 - 38	6 - 10
A. The regional service centre concept	14 - 22	6 - 8
B. Field presence in the Baltic States and the Commonwealth of Independent States	23 - 27	8 - 9
C. Human resources: activities of limited duration	28 - 34	9 - 10
D. Transitional measures	35 - 36	10
E. South Africa	37 - 38	10
III. EXECUTIVE BOARD ACTION	39	11
Table B. United Nations Development Programme revised budget estimates for the biennium 1994-1995 for administrative services, programme support and development activities and trust funds		12
Annex		
United Nations Development Programme income by source of funds		13

INTRODUCTION

1. The Administrator hereby presents the revised budget estimates for the biennium 1994-1995. These revised estimates include the following elements:

(a) Cost adjustments relating to the 1994-1995 budget for core activities;

(b) Cost and volume adjustments relating to the 1994-1995 budget for programme support and development activities (PSDA);

(c) Cost and volume adjustments relating to the 1994-1995 budgets for the trust funds; and

(d) Other matters, including reports in response to specific requests by the Governing Council and relating to: (a) the regional service centre concept (decision 93/35, II, para. 9); (b) UNDP field presence in the Baltic States and the Commonwealth of Independent States (93/35, II, para. 17); and (c) the piloting of short-term, non-permanent contracts (93/35, II, para. 30).

2. In considering the revised budget estimates for the 1994-1995 biennium, the following additional documents should be noted:

(a) Report of the Administrator on initiatives for change (DP/1994/39). In this report, dealing with the future of UNDP, the Administrator describes a first set of initiatives for change as part of a concrete programme of action to move forward from the Agenda for Change, which he presented to the Executive Board at its first regular meeting in February 1994. The first initiatives concern some institutional realignments and readjustments that the Administrator is convinced are required. These adjustments are being implemented within existing budgetary resources and have no major implications for the overall structure of the Organization. They will be fully reflected in the Administrator's presentation of the 1996-1997 budget estimates in 1995;

(b) Report of the Administrator on the role and functions of the OPS Management Coordination Committee (DP/1994/61); Report of the Executive Director of OPS on ways of establishing OPS as a separate and identifiable entity (DP/1994/62). The Executive Board will have these documents before it under item 9 of the provisional agenda: Office for Project Services (OPS). Both documents deal extensively with the follow-up to decision 94/12 of 8 June 1994, concerning OPS. The presentation of the revised 1994-1995 estimates for OPS, as contained in the present document, follows the usual format. This is, however, without prejudice to further decisions concerning OPS, including the future presentation of its budget estimates.

3. In paragraph 3, part I, of its decision 93/35 of 18 June 1993, the Governing Council requested the Administrator, in line with the recommendation made by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to include in future reports on the budget a concise statement of UNDP current and projected income. In pursuance of that request, a chart demonstrating the projected 1994-1995 income by source of funds is reproduced in the annex to the present document. As a two-year projection, the information is consistent with the information contained in table 1 of document DP/1994/18 of 14 May 1994 on the mid-term review of resources for the fifth programming cycle. In addition, information relating to income and expenditure is contained in the annual review of the financial situation, 1993 (DP/1994/34).

I. REVISED 1994-1995 BUDGET ESTIMATES

A. Cost adjustments

4. Cost adjustments relating to the core budget amount to a total reduction of $9.2 million or 2.6 per cent. A currency release of $19.6 million is partially offset by an adjustment in inflation of $8.4 million and a cost adjustment of $2.0 million.

5. The currency release relates to the impact of the difference in exchange rates between February 1993, when the original 1994-1995 estimates were formulated, and May 1994, the basis for the revised estimates. Most of the currency release is a direct result of the significant devaluation of the CFA franc in January 1994.

6. The adjustment in inflation reflects adjustments in United Nations projections at Headquarters as well as revised field projections. At Headquarters, the rate of inflation has been adjusted downwards from 3.7 per cent to 3.0 per cent. The upward adjustment of field projections relate in particular to the expected inflationary impact of the devaluation of the CFA franc. Increased inflation will partly offset the currency release mentioned in paragraph 4 above.

7. Other cost adjustments relate to the security component of staff costs. As a result of an increasing and more frequent need for security measures, including security evacuations, the adjustment is made in line with expenditure patterns.

8. Similar currency, inflation and other cost adjustments have been applied to the appropriation lines pertaining to PSDA and the trust funds. All these adjustments are reflected in table A.

B. Volume adjustments

Core budget

9. No volume adjustments are being proposed by the Administrator with respect to the core 1994-1995 budget estimates.

Programme support and development activities

Office for Project Services

10. As noted in paragraph 2 above, the format for presentation of the revised estimates for OPS has been kept unchanged pending further decisions concerning OPS. A downward adjustment of the original OPS estimates of budgetary resources, as reflected in table A, brings the revised estimates in line with the latest projections of income. Although the adjustment is reflected as a volume decrease, there are no immediate implications for ongoing OPS operations since planned expenditure has, at all times, been kept within projected income through the allotment/expenditure control system. Accordingly, a number of authorized posts have been kept vacant and are no longer included in the authorized OPS staffing table. As a result, the number of posts financed from OPS budgetary resources has been decreased by eleven (one Professional, ten General Service). This downsizing includes the reclassification of some posts.

11. Since the presentation of the 1994-1995 estimates in June 1993, the Administrator has authorized an adjustment to the number of posts against OPS extrabudgetary resources. Two Professional and three General Service posts relating to the International Fund for Agricultural Development (IFAD) programme were added and are fully reimbursed by IFAD. While three other

Table A. SUMMARY OF REVISED 1994-1995 GROSS BIENNIAL BUDGET ESTIMATES INDICATING AMOUNTS ATTRIBUTABLE TO CATEGORY OF COST INCREASE/(DECREASE)
(Thousands of United States dollars)

Source of funds/ appropriation line	1994-1995 Approved appropriations	Volume increase/ (decrease)	Cost increase/(decrease)				Total increase (decrease)	1994-1995 Revised estimates
			Various cost adjustments	Currency adjustment	Inflation adjustment	Total cost adjustment		
I. RESOURCES OF UNDP								
A. UNDP core activities a/								
Headquarters	149,405.4	0.0	0.0	213.1	(715.2)	(502.1)	(502.1)	148,903.3
Country offices	239,760.2	0.0	2,030.6	(19,852.2)	9,160.0	(8,661.6)	(8,661.6)	231,098.6
Gross UNDP core activities	389,165.6	0.0	2,030.6	(19,639.1)	8,444.8	(9,163.7)	(9,163.7)	380,001.9
Estimated income b/	36,700.0	0.0	0.0	0.0	0.0	0.0	0.0	36,700.0
Net UNDP core activities	352,465.6	0.0	2,030.6	(19,639.1)	8,444.8	(9,163.7)	(9,163.7)	343,301.9
B. Programme support and development activities (PSDA)								
1. Programme development activities c/	25,989.5	0.0	0.0	0.0	(74.8)	(74.8)	(74.8)	25,914.7
2. Support to the operational activities of the United Nations	96,291.7	0.0	821.4	(8,030.1)	3,705.1	(3,503.6)	(3,503.6)	93,478.1
3. Project/programme implementation services								
DSS	6,225.0	0.0	0.0	0.0	0.0	0.0	0.0	6,225.0
OPS	36,029.6	(4,774.7)	0.0	0.0	(128.7)	(128.7)	(4,903.4)	31,126.2
IAPSO	6,098.5	0.0	0.0	(164.2)	(8.4)	(172.6)	(172.6)	5,925.9
UNV	31,707.3	(958.6)	0.0	361.3	131.0	492.3	(466.3)	31,241.0
National execution	3,161.5	0.0	0.0	0.0	(21.5)	(21.5)	(21.5)	3,140.0
Total project/programme implementation services	83,221.9	(5,733.3)	0.0	197.1	(27.6)	169.5	(5,563.8)	77,658.1
4. Programme support d/	2,300.0	0.0	0.0	0.0	0.0	0.0	0.0	2,300.0
Total programme support and development activities	208,493.1	(5,733.3)	821.4	(7,833.0)	3,602.7	(3,408.9)	(9,142.2)	199,350.9
C. Total estimates UNDP								
Gross estimates	597,658.7	(5,733.3)	2,852.0	(27,472.1)	12,047.5	(12,572.6)	(18,305.9)	579,352.8
Estimated income	36,700.0	0.0	0.0	0.0	0.0	0.0	0.0	36,700.0
Net estimates	560,958.7	(5,733.3)	2,852.0	(27,472.1)	12,047.5	(12,572.6)	(18,305.9)	542,652.8
II. RESOURCES OF TRUST FUNDS								
A. UNCDF	11,824.1	0.0	0.0	0.0	(45.2)	(45.2)	(45.2)	11,778.9
B. UNRFNRE & UNFSTD	4,243.4	(1,876.3)	0.0	0.0	(10.1)	(10.1)	(1,886.4)	2,357.0
C. UNSO	8,054.9	0.0	0.0	(335.1)	59.2	(275.9)	(275.9)	7,779.0
D. UNIFEM	6,640.0	0.0	0.0	0.0	(25.7)	(25.7)	(25.7)	6,614.3
Total estimates trust funds	30,762.4	(1,876.3)	0.0	(335.1)	(21.8)	(356.9)	(2,233.2)	28,529.2
III. TOTAL ESTIMATES								
Gross estimates	628,421.1	(7,609.6)	2,852.0	(27,807.2)	12,025.7	(12,929.5)	(20,539.1)	607,882.0
Estimated income	36,700.0	0.0	0.0	0.0	0.0	0.0	0.0	36,700.0
Net estimates	591,721.1	(7,609.6)	2,852.0	(27,807.2)	12,025.7	(12,929.5)	(20,539.1)	571,182.0

a/ The Administrator is permitted to redeploy between the country office and headquarters appropriation lines up to a maximum of 5 per cent.

b/ Includes estimated income of $36.4 million from host government contributions in cash.

c/ Includes: (a) headquarters: human development, environment and natural resources, private sector and technology, public sector management, TCDC/INRES and (b) country offices: Economists, National Officers for Environment and HIV/AIDS.

d/ Represents UNDP contribution to CGIAR and UNDP-UNSO/UNEP joint venture.

Professional posts were deleted, three General Service posts were added. As a result, the number of posts against OPS extrabudgetary resources has increased from 130 to 135. This includes the reclassification of some posts.

United Nations Volunteers (UNV)

12. The total number of serving UNV specialists as of 31 December 1993 was 2085. Out of this total, 290 volunteers were assigned to different United Nations missions under specific memoranda of understanding and to humanitarian relief activities under a trust fund. UNV headquarters support relating to these programmes is covered from the support cost being earned and is managed under a UNV extrabudgetary account. The number of serving volunteers as applicable to the staffing formula was thus 1795, or 795 over the base of 1000. Compared with the number of UNV specialists serving as of 31 December 1992, this represents a reduction of 128, which translates into 1.8 staffing units. The authorized number of posts has therefore been reduced by four (two Professional and two General Service). Estimates for staff costs and operating expenditure have been adjusted accordingly.

Trust funds

13. At its second regular session in May 1994, the Executive Board took note of the Administrator's report on the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and the United Nations Fund for Science and Technology for Development (UNFSTD)(DP/1994/29). It took note, in particular, of the precarious financial situation of both funds. With regard to UNFSTD, contributions are no longer sufficient to continue operations. With regard to UNRFNRE, a major donor is expected to continue to contribute so that operations can continue on a modest scale. In view of the above, the Administrator has revised the 1994-1995 budget estimates pertaining to the UNRFNRE/UNFSTD management unit. This volume adjustment is reflected in table A and corresponds with a phasing out of twelve posts (four Professional and eight General Service) and related operating expenditure by 31 December 1994. As a result, the management unit will have four posts remaining (two Professional and two General Service). Two posts under the extrabudgetary account will be maintained and relate to ongoing activities under the Energy Account, which is also managed by the UNRFNRE/UNFSTD management unit.

II. OTHER MATTERS

A. The regional service centre concept

14. The regional service centre concept was first introduced during the preparation of the 1994-1995 UNDP budget strategy. Its main objective was to expand, in a cost-effective manner, the outreach of the central services to country offices. Initially, the concept focused on relocating existing service and processing functions from high-cost to low-cost areas. Accounts examination was one of those functions. A manager was appointed and took up his assignment in Malaysia in early 1993 to initiate a pilot scheme in the Asia and Pacific region. The Governing Council supported the UNDP initiatives and requested that it be kept informed of further developments and experience gained.

15. The initial concept was further considered and a review of relevant business functions and processes undertaken. The review concluded that it could be worthwhile to test an option whereby all accounts examinations would be carried out locally, under contract, by a commercial audit and accounting firm. It was further decided that the possibility of also having audits covered by such a contract should be explored. The latter would allow a considerable expansion of audit coverage in a cost-effective manner.

16. A request for proposal was prepared by the Division of Finance (DOF) and Division for Audit and Management Review (DAMR) and sent to the six major international accounting and audit firms in Kuala Lumpur, Malaysia. Offers were received from five of them. After evaluation, a one-year, fixed-price contract of $300,000 was awarded to Price Waterhouse Malaysia in August 1993. The contract calls for the contractor to perform in each of the 24 offices, either directly or through its local representatives: (a) a quarterly accounts examination and (b) an annual audit. The contractor's staff was given extensive training by UNDP headquarters to familiarize them with UNDP accounting and financial policies, procedures, practices and reporting. In November 1993, the contract was amended to include annual audits of 13 United Nations Population Fund (UNFPA) Country Director offices in the region. The regional service centre in Kuala Lumpur is responsible for the administration of the contract. Price Waterhouse Malaysia acts as the main contractor and is responsible for liaising, reviewing and collating reports from its representative firms and reporting to UNDP through the centre.

17. At the end of June 1994, a total of 48 accounts examinations had been accomplished through two quarterly examinations that had been completed and reported upon. All remaining examinations will be completed by August 1994. Based on the experience gained, the following major benefits have been identified: (a) with country offices now retaining original vouchers and supporting documents in the field, costly paper work, paper flow and pouch costs are eliminated or significantly reduced; (b) country offices gain more practical knowledge through regular and comprehensive examination on site; (c) with the help of professional accounting staff, country offices can put practical accounting techniques to work immediately; (d) the turn-around time between error identification and resolution is much shorter, leading to more accurate reporting at headquarters; and (e) staff time and related costs required in both country offices and at headquarters to review and respond to accounting queries is reduced.

18. The feedback received from the country offices is very positive and confirms the high quality of service and added value being received. A comparison between errors noted during the first and second examination showed a decrease of 54 per cent and seems to confirm the positive impact of the new approach. DOF is fully satisfied with the results obtained to date. The new approach to accounts examination, combined with the retention of original documentation in the field, and the electronic upload of country office monthly accounting reports into the headquarters general ledger system have enabled DOF to achieve considerable budget savings at headquarters. Since 1991, the number of core posts has been reduced by 37 per cent.

19. For DAMR, the regional service centre has provided a platform for strengthening and expanding its audit activities. In addition to the contract, a well-qualified auditor (national officer) has been assigned to the centre. The auditor uses the centre as a base to service the region and acts as DAMR liaison with the contractor. While taking into account that the approach is very new and naturally needs fine tuning on the basis of experience, DAMR and most UNDP and UNFPA offices consider the new audit approach positive and its results encouraging. Both believe that the present regional service centre approach has contributed to improved accountability in a productive and cost-effective way without creating any additional bureaucratic layer.

20. OPS is using the centre to handle its accounting functions for the Asia and Pacific region. Two locally recruited accountants process all monthly inter-office vouchers and project imprest accounts for the whole region. They enter all data on line directly into the UNDP general ledger system and OPS funds control system. OPS has confirmed its satisfaction with the service being provided. UNFPA is considering a similar approach for processing its own inter-office vouchers.

21. The contract was reviewed in detail by UNDP and Price Waterhouse Malaysia during a meeting in New York in June 1994. The contractor provided a

summary of results of reviews undertaken or in progress. It shared with UNDP its general observations and recommendations for the Organization to consider when setting future directions. The feedback from a top commercial accounting and audit firm and the extensive exchange of ideas have been very constructive. They will form an important element of the continuous efforts of UNDP to perform at the highest possible standards in financial and administrative management in country offices. The scope of the work under contract is being further developed and will form the basis for a continuation of the approach.

22. Action has been initiated to introduce the concept in the Africa region as well. It is planned to start operations in that region during the third quarter of 1994. Possibilities of expanding the regional service centre concept to other regions and to cover other functional areas will be kept under continuous review.

B. Field presence in the Baltic States and the Commonwealth of Independent States

23. In its decision 93/35 of 18 June 1993, the Governing Council requested the Administrator to report, in the context of his presentation of the 1994-1995 revised estimates, on: (a) the use of core resources towards the UNDP field presence in the Baltic States and the Commonwealth of Independent States and (b) the concluding of a formal agreement with the United Nations on the joint funding of the United Nations interim offices in the Commonwealth of Independent States and Georgia.

24. In its resolution 48/209 of 21 December 1993, the General Assembly provided guidance on future operations of the interim offices. In accordance with that guidance, heads of the offices in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Ukraine and Uzbekistan have now been designated resident coordinators with their role and responsibilities in conformity with the provisions of General Assembly resolution 48/209 and other related General Assembly resolutions. UNDP remains responsible for the overall administration of the offices and has been requested by the Secretary-General to chair a task force to follow up on the implementation of resolution 48/209.

25. In this connection, the 1993 annual report of the Administrator (DP/1994/10) and the Administrator's report on UNDP follow-up to General Assembly resolution 47/199 (DP/1994/22) contain relevant information with regard to UNDP initiatives to support and strengthen the resident coordinator system. Both reports were presented to the Executive Board at its annual session in June 1994. Document DP/1994/10/Add.1 contains a more specific report on the programme activities in Europe and the Commonwealth of Independent States. The Executive Board took note of these reports in its decision 94/18 of 10 June 1994.

26. In its decision 94/16 of 10 June 1994, the Executive Board approved the allocation of programme resources in the context of the mid-term review of resources of the fifth programming cycle. With regard to expenditures against the biennial budget, total gross expenditure recorded in 1992/1993 amounted to $3.811 million. This amount does not include international staff costs relating to staff from the Department of Public Information of the United Nations Secretariat assigned to the former interim offices. These were charged directly to the budget of the United Nations. Total gross expenditure was offset by $0.118 million received from governments as cash contributions towards local office costs and $0.744 million as reimbursement from the United Nations. The net charge to the approved 1992-1993 allocation of $3.0 million from UNDP core resources was thus $2.949 million.

27. UNDP and the United Nations signed a Memorandum of Understanding on 28 October 1993 with respect to the operation and joint funding of the former

interim offices. In light of General Assembly resolution 48/209, the original Memorandum of Understanding is now being amended to reflect the change in approach as referred to in paragraph 24 above. The principles for sharing the costs will remain approximately the same. Accordingly, the Administrator does not propose a revision to the net allocation of $4.8 million, which was approved by the Governing Council for the 1994/1995 biennium.

C. Human resources: activities of limited duration

28. In the context of the preparations for the 1994-1995 UNDP budget strategy, the Administrator made a proposal in 1992 to pilot a new contractual instrument to cover the employment of individuals whose skills are required for at least six months but clearly not in a continuing, career-oriented function. Such an instrument would fill the gap between special service agreement (SSA) contracts, used for consultants and part-time employment of up to six months, and the normal 100 Series contracts used for regular functions of a continuous nature and covered by established posts. By its decision 92/37 of 26 May 1992, the Governing Council approved the proposal on a pilot basis. It requested the Administrator to report on the experience gained and on consultations held with the International Civil Service Commission (ICSC).

29. At the time that an interim report was issued in the context of the 1994/1995 budget submission, technical and procedural aspects were still being developed. After further consultations, internally as well as with other organizations and the ICSC, policies, procedures and guidelines were further developed and the pilot was formally launched on 1 January 1994.

30. The new contractual arrangement is called the Appointment for Activities of Limited Duration (ALD). The ALD contract is framed within the 300 Series of the United Nations Staff Rules, which have been revised by the United Nations with effect from 1 January 1994. The status of ALD contract holders thus implies: coverage under the Convention on Immunities and Privileges; participation in the pension fund; G-4 visa status for non-resident expatriates in the United States; laissez-passer when official travel is involved; and reimbursement of income tax for those individuals who are subject to income tax by their national governments.

31. ALD contract holders are grouped in one of four broad bands that define the general level of functional responsibility. To avoid an arbitrary approach to pay, the pay ranges have been made consistent with the parameters of the United Nations common system of remuneration. Remuneration is calculated on a lump-sum basis, thus eliminating the administrative complexities in providing the range of benefits and entitlements normally associated with longer-term appointments.

32. Because of the special nature of the functions covered by the contracts, ALD contract holders do not normally encumber a post. Specific object codes have been established for budget allocation and recording of expenditures. This will allow separate monitoring and reporting. To ensure the effective monitoring and evaluation of the use of ALDs during the pilot phase, proposed assignments under ALD are subject to strict review by both the Division of Personnel (DOP) and the Bureau for Finance and Administration (BFA). As at 30 June 1994, 41 ALDs had been issued against different sources of financing. Of these, 24 are for specialized functions in the information technology and system development field and have replaced the Special Management Services contracts that were previously used.

33. At its fortieth session in June/July 1994, ICSC reviewed the issue of appointments of limited duration, both as applied by the United Nations and by UNDP. The Commission agreed that UNDP should continue the pilot operation of its ALD scheme. The experience gained with the new arrangements will be taken

into account by the Commission when it reverts to the subject of appointments of limited duration at future sessions.

34. As stated in the Administrator's report on the future of UNDP and the initiatives for change (DP/1994/39), the decision by the Governing Council to allow UNDP to pilot this new short-term contract has provided a critical instrument for the recruitment of short-term, specialized expertise. This instrument is essential to the implementation of the programme for change as proposed by the Administrator to the Executive Board.

D. Transitional measures

35. By its decision 93/35 of 18 June 1993, the Governing Council recognized that the smooth implementation of the 1994-1995 budget strategy would entail transitional costs. The Council, therefore, approved the proposals of the Administrator to apply 1992-1993 savings, up to a ceiling of 1.5 per cent of the 1992-1993 core appropriation, to: (a) obligate full costs associated with secured agreed terminations and (b) cover transitional costs relating to the timing of implementing necessary reassignments, training and system development.

36. The most appropriate accounting treatment of these provisions was discussed in detail with the External Auditors. The Auditors recommended that, based on the interpretation of the Governing Council decision, the Administrator set up two separate reserves. Following this recommendation, one reserve of $6.4 million was set up to cover agreed terminations that were in the process of being finalized by the end of 1993; a second reserve of $7.2 million was set up to cover the transitional costs referred to in paragraph 35 above. The Administrator anticipates that the funds under these reserves are sufficient to cover requirements until the end of the present biennium.

E. South Africa

37. By decision 94/11 of 8 June 1994, the Executive Board welcomed the Republic of South Africa as a recipient country in UNDP and authorized the Administrator to allocate an indicative planning figure (IPF) of $10 million for the remaining period of the fifth cycle. The Administrator believes that sustainable human development has great possibilities for success in the new South Africa. This should be seen in the overall context of the major policy programmes that have been identified by the Government in its Reconstruction and Development Programme and which relate to: (a) meeting basic needs; (b) developing human resources; (c) building the economy; and (d) democratizing the state and society. The underlying principles are very much in line with the concept of sustainable human development. Furthermore, the emerging new South Africa will have important implications for the Southern African Development Community (SADC) countries and beyond. With its wide field network and its support to SADC and the Common Market for East and Southern Africa (COMESA) (formerly the Preferential Trade Area (PTA)), UNDP can provide an important mechanism for fostering links and facilitate the role of South Africa as a regional and global development partner.

38. Against this background, the Administrator believes that a field presence in the Republic of South Africa is essential. Initiatives have been taken, in close collaboration with the Joint Consultative Group on Policy (JCGP) partners, to explore the possibilities of setting up such presence during the second half of 1994. The budgetary implications of UNDP participation in the setting up of such a field presence will be accommodated through the redeployment of existing budgetary resources. In 1995, the Administrator intends to present full costs and staffing implications as an integral part of his submission of the budget for the 1996-1997 biennium.

III. EXECUTIVE BOARD ACTION

39. The Executive Board may wish to:

1. Approve, with respect to the revised budget estimates for the 1994-1995 biennium of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1994/35), a revised appropriation in the amount of $607,882,000 gross, to be allocated from the resources indicated in table B, to finance the revised 1994-1995 biennial budget and resolves that the income estimates in the amount of $36,700,000 shall be used to offset the gross appropriation, resulting in a net appropriation of $571,182,000;

2. Take note of the Administrator's reports on (a) the regional service centre concept; (b) the UNDP field presence in the Baltic States and the Commonwealth of Independent States; (c) the piloting of short-term, non-permanent contracts; and (d) UNDP initiatives with regard to a field presence in South Africa;

3. Take further note of the accounting treatment of the transitional costs relating to the implementation of the 1994-1995 budget strategy, as approved by the Governing Council in its decision 93/35 of 18 June 1993;

4. Recall its decision 94/__ regarding the Office of Project Services, in particular, in this context, to those elements that relate to the OPS budget estimates and future arrangements concerning the presentation thereof.

Table B. United Nations Development Programme revised budget estimates for the biennium 1994-1995 for administrative services, programme support and development activities and trust funds

(Thousands of United States dollars)

	APPROVES:	TAKES NOTE OF:	
	Gross/net appropriations	Estimated extra-budgetary income	Total gross/net estimates
I. RESOURCES OF UNDP			
A. UNDP core activities a/			
Headquarters b/	148 983.3	24 705.4	173 688.7
Country Offices	231 098.6	37 488.6	268 587.2
Gross UNDP core activities	380 081.9	62 194.0	442 195.9
Estimated income	36 700.0	0.0	36 700.0
Net UNDP core activities	343 301.9	62 194.0	405 495.9
B. Programme support and development activities			
Programme development activities	25 914.7	0.0	25 914.7
Support to the operational activities of the United Nations	93 478.1	0.0	93 478.1
Project/programme implementation services			
DSS	6 225.0	0.0	6 225.0
CPS c/	31 126.2	37 100.0	68 226.2
IAPSO	5 925.9	2 865.8	8 791.7
UNV	31 241.0	406.2	31 647.2
National execution	3 140.0	0.0	3 140.0
Total project/programme implementation services	77 658.1	40 372.0	118 030.1
Programme support d/	2 300.0	0.0	2 300.0
Total programme support and development activities	199 350.9	40 372.0	239 722.9
C. Total resources of UNDP			
Gross resources	579 352.8	102 566.0	681 918.8
Estimated income	36 700.0	0.0	36 700.0
Net resources	542 652.8	102 566.0	645 218.8
II. RESOURCES OF TRUST FUNDS			
A. UNCDF	11 778.9	0.0	11 778.9
B. UNRFNRE and UNFSTD	2 357.8	313.8	2 670.8
C. UNSO	7 779.0	3 586.6	11 365.6
D. UNIFEM	6 614.3	466.1	7 080.4
Total	28 529.2	4 366.5	32 895.7
III. TOTAL UNDP APPROPRIATION			
Gross appropriation	607 882.0	106 932.5	714 814.5
Estimated income	36 700.0	0.0	36 700.0
Net UNDP appropriation	571 182.0	106 932.5	678 114.5

a/ The Administrator is permitted to redeploy between the country office and headquarters appropriation lines up to a maximum of 5 per cent.

b/ Headquarters extrabudgetary income represents income from external sources, exclusive of reimbursements to UNDP core from non-core units. The reimbursements are already included in the appropriation estimates of the non-core units.

c/ The approved appropriation is funded from UNDP general resources.

d/ Represents UNDP contribution to CGIAR and UNDP-UNSO/UNEP joint venture.

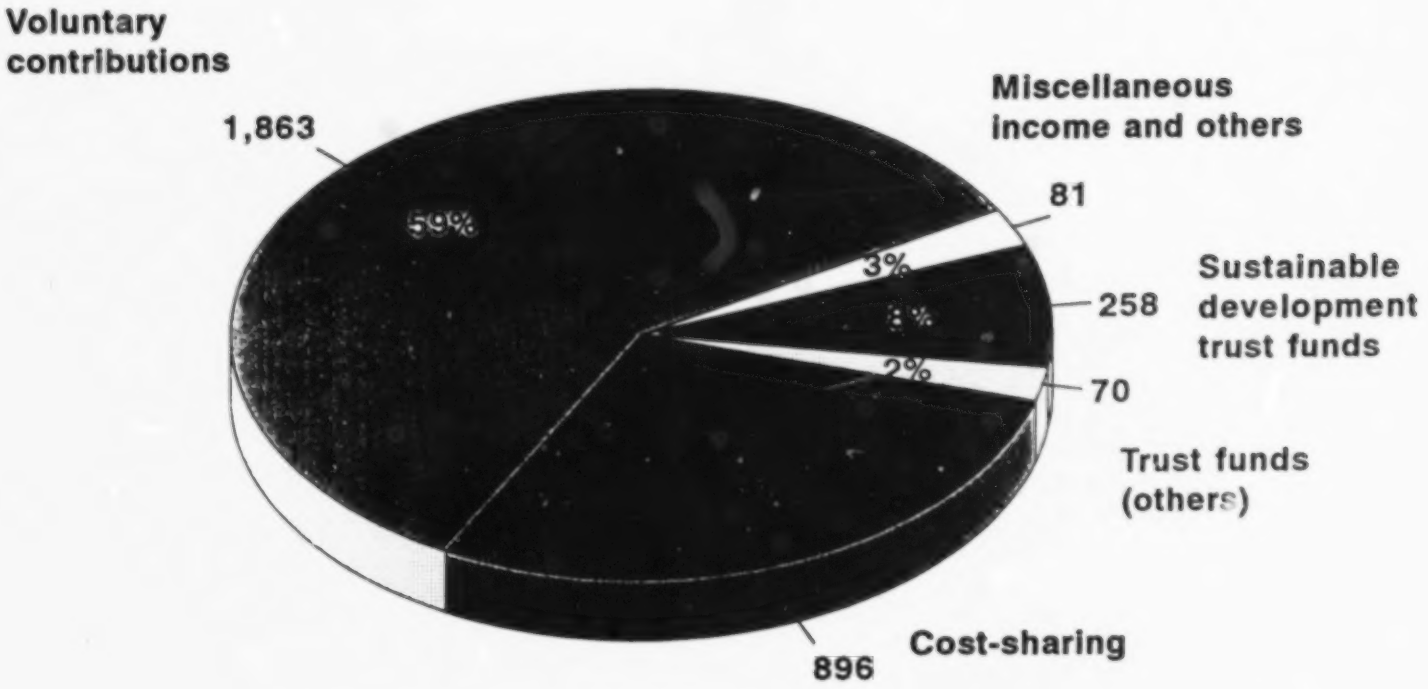
/...

Annex

UNDP INCOME BY SOURCE OF FUNDS

1994-1995 (projected)

(Millions of United States dollars)



Total income: $ 3,168 million

UNITED
NATIONS

DP

Executive Board of
the United Nations
Development Programme
and of the United Nations
Population Fund

Distr.
GENERAL

DP/1994/35/Corr.1
4 October 1994

ORIGINAL: ENGLISH

Third regular session 1994
October 1994, New York
Item 4 of the provisional agenda

UNDP FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995

Report of the Administrator

Corrigendum

Page 10, paragraph 35

For the existing text substitute

35. By its decision 93/35 of 18 June 1993, the Governing Council recognized that the smooth implementation of the 1994-1995 budget strategy would entail transitional costs. The Council, therefore, approved the proposals of the Administrator: (a) to obligate full costs associated with secured agreed terminations and (b) to apply 1992-1993 savings, up to a ceiling of 1.5 per cent of the 1992-1993 core appropriation, to cover transitional costs relating to the timing of implementing necessary reassignments, training and system development.

94-38431 (E) 041094 051094

UNITED NATIONS **DP**

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1994/36
4 October 1994

ORIGINAL: ENGLISH

Third regular session 1994
October 1994, New York
Item 4 of the provisional agenda

UNDP FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995

Report of the Advisory Committee on Administrative and Budgetary Questions

1. In accordance with regulation 9.5 of the Financial Regulations of the United Nations Development Programme (UNDP), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the revised budget estimates of UNDP for 1994-1995, as contained in an advance copy of document DP/1994/35. In accordance with financial regulation 5.1, the Advisory Committee has also considered a report on trust funds established by the Administrator in 1993 (DP/1994/34/Add.3) and a summary of financial information on the trust funds established since 1981 (DP/1994/34/Add.2).

2. The Advisory Committee has also considered the following matters, included in document DP/1994/35: (a) the regional service centre concept (decision 93/35, para. 9); (b) UNDP field presence in the Baltic States and the Commonwealth of Independent States (decision 93/35, para. 17); (c) the piloting of short-term, non-permanent contracts (decision 93/35, para. 30); and (d) transitional measures (decision 93/35, para. 19). During its consideration of these matters, the Committee met with the Administrator of UNDP and his representatives, who provided additional information and complementary documentation for the review of the Committee.

3. The Advisory Committee was informed that projections of voluntary contributions for the 1994-1995 biennium have been revised from $1,970 million reported to the Committee last year (DP/1993/46, para. 5) to $1,862.5 million, or a decrease of 5.8 per cent, as the assumptions about the growth of UNDP core resources have not yet materialized.

4. As shown in table A of document DP/1994/35, the revised budget estimates for the 1994-1995 biennium for UNDP as a whole amount to $607,882,000 gross

($571,182,000 net). The Administrator proposes a total decrease of $20,539,100 in the revised estimates, comprising a volume decrease of $7,609,600 and a cost reduction of $12,929,500, as result of currency release, inflation and other cost adjustments. The Advisory Committee was informed that the Administrator is committed to a policy of continued budgetary restraint.

5. The revised budget estimates for UNDP core activities amount to $380,001,900 gross ($343,301,900 net). The Administrator proposes a decrease of $9,163,700 or 2.6 per cent in the core budget, as noted in paragraphs 4-7 of document DP/1994/35, resulting from currency release, partially offset by inflation and other cost adjustments. No volume adjustments are proposed in the core budget.

6. With regard to programme support and development activities, the Advisory Committee was informed that this would probably be the last time that the administrative budget of the Office of Project Services (OPS) would be submitted as part of the overall UNDP budget proposal. The revised budget estimates for OPS, funded from UNDP general resources, amount to $31,126,200, reflecting a decrease of $4,903,400 or 13.6 per cent from the approved appropriation (decision 93/35, para. 32), primarily as the result of the abolition of 11 posts funded from general resources (one Professional and 10 General Service posts). The revised staffing table of OPS also includes the abolition of one Professional and the addition of 6 General Service posts funded from extrabudgetary resources. A breakdown of the OPS revised budget for 1994-1995 is contained in document DP/1994/62/Add.3, submitted by the Executive Director of OPS, with his report on ways of establishing the Office as a separate and identifiable entity (DP/1994/62). The Advisory Committee is reporting separately in document DP/1994/57 on OPS (see in particular annexes 1 and 2 of that report on the budget of OPS).

7. The Advisory Committee notes that the revised United Nations Volunteers (UNV) administrative budget, chargeable to general resources under the biennial budget, amounts to $31,241,000 (table A). The revised estimates include a total decrease of $466,300, as a result of the reduction of 2 Professional and 2 General Service posts based on the staffing formula approved by the Governing Council (decision 88/46, paras. 10-12). The Committee further notes the participation of UNV specialists in peace-keeping and humanitarian activities in the field under trust funds (290 volunteers out of 2,085 volunteers as at 31 December 1993). This is a welcome development that has previously been encouraged by the Committee (DP/1993/46, para. 11). The Committee intends to comment further on the role of UNV in peace-keeping operations when it examines the report of the Secretary-General (A/48/945).

8. The Advisory Committee takes note of the revised budget estimates of the United Nations Revolving Fund for Natural Resource Exploration (UNRFNRE) and the United Nations for Science and Technology for Development (UNFSTD). As discussed in paragraph 13 of document DP/1994/35, in view of the precarious financial situation of these trust funds, which are administered by UNDP within the structure of the biennial budget, the Administrator proposes to phase out 12 posts (4 Professional and 8 General Services posts) by 31 December 1994. The revised budget estimates for 1994-1995 amount to $2,357,000, reflecting a decrease of 44.5 per cent from the approved appropriation (table A).

9. In paragraphs 14-22 of his report, the Administrator reviews the progress made and the experience gained in the implementation of the regional service centre concept, as requested by the Governing Council (decision 93/35, para. 9). The Advisory Committee was informed that the results of contracting with an international accounting firm to provide a range of audit and accounts examination services has been satisfactory. The firm of Price Waterhouse in Kuala Lumpur, Malaysia, was awarded a one-year contract in August 1993, in the amount of $300,000, to perform in each of the 24 UNDP field offices of the Asia and Pacific region quarterly accounts examination and internal audit services. Price Waterhouse in Kuala Lumpur acts as the main contractor, while other Price Waterhouse offices in the region carry out the respective assignments in each location.

10. With this approach, the Advisory Committee was informed, UNDP has been able to increase significantly its internal audit coverage. Field offices that were audited at best once every five years are now audited every year. Based on the experience gained, a number of benefits are identified in the report (para. 17).

11. The Advisory Committee notes that the concept of a regional service centre has provided a basis for the expansion of internal audit services. In this regard, the Committee recalls that in paragraph 38 of its report DP/1993/46, it had requested the Administrator to include in his report, inter alia, a breakdown of the costs incurred by the contractor, indicating which relate to field offices and which to the regional service centre. Original estimates for the regional service centres in Asia and Africa (DP/1993/45, para. 107) were in the amount of $2,030,000; the cost to the UNDP core budget was $880,000, with the balance to be apportioned to OPS and UNFPA. The Committee notes that this cost breakdown was not included in the report of the Administrator and requests the Administrator to report on the subject in the context of the biennial budget submission for 1996-1997.

12. The Advisory Committee also observes that a national officer has been assigned to the centre as an auditor "to service the region and act as DAMR (Division of Audit and Management Review) liaison with the contractor" (para. 19). The Committee notes that this is a departure from the approach originally envisaged of posting an international Professional as the manager of the regional service centre, who would report "directly to each line manager at headquarters with responsibility for the services being performed" (DP/1993/45, para. 103). The Committee observes that the rationale for this departure has not been adequately explained.

13. In accordance with paragraphs 16 and 17 of decision 93/35, the Administrator reports in paragraphs 23-27 of his report on: (a) the use of UNDP core budget resources towards the UNDP field presence in the Commonwealth of Independent States and (b) the concluding of formal agreement with the United Nations on the joint funding of the United Nations interim offices in the Commonwealth of Independent States and Georgia.

14. The Advisory Committee notes that the United Nations and UNDP signed a memorandum of understanding with respect to the operations and joint funding of the interim offices on 28 October 1993. The Committee was informed that, pursuant to General Assembly resolution 48/209 of 21 December 1993, the

memorandum of understanding signed by the United Nations and UNDP, on 28 October 1993, on the collaboration between these two organizations, is being amended. According to the representatives of the Administrator, the cost-sharing formula will remain approximately the same. Total recurrent costs (excluding staff costs of established posts) and start-up office costs will, in principle, be equally shared by the United Nations and UNDP, with the understanding that the United Nations contribution will be limited to a total amount equivalent to the number of offices times $40,000 per year.

15. The Advisory Committee notes that in its resolution 48/209 of 21 December 1993, the General Assembly provided guidance on future operations of the United Nations offices (former interim offices). Accordingly, heads of these offices in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Ukraine and Uzbekistan have now been designated resident coordinators and UNDP remains responsible for the administration of the offices.

16. The Advisory Committee recalls that the total costs of the United Nations offices and of the UNDP temporary offices in the newly independent States of the former Soviet Union amount to $7.8 million for the 1994-1995 biennium (DP/1993/45, table V.8), of which $4.8 million ($2.3 million for the interim offices and $2.5 million for the temporary offices) were approved by the Governing Council to be allocated from the resources of the UNDP core budget (decision 93/35). The Committee notes that the Administrator does not propose a revision to the provisions approved for 1994-1995.

17. As requested by the Governing Council (decision 92/37, para. 13), the Administrator reports in paragraphs 28-34 on the experience gained with the new contractual arrangements for activities of limited duration and on his consultations with the International Civil Service Commission (ICSC) on the subject. This new contractual instrument was approved by the Governing Council on a pilot basis (decision 92/37, para. 11) in order to cover the employment of individuals "whose skills are needed for at least six months but clearly not in a continuing, career-oriented function" (DP/1992/40, para. 26). The Advisory Committee was informed that ICSC reviewed the issue of appointments of limited duration at its fortieth session and supported the pilot arrangement of UNDP. The Committee was further informed that this pilot arrangement was formally launched on 1 January 1994, after UNDP had developed its own policies and procedures in consultation with ICSC, as well as with other United Nations organizations, including members of the Joint Consultative Group on Policy (JCGP) and the United Nations Secretariat.

18. The Advisory Committee notes that the new short-term contractual arrangement is framed within the 300 Series of the United Nations Staff Rules. Upon request, the Committee was informed that these arrangements were very similar to the 300 series and that the experience gained with this new arrangement will be taken into account by ICSC when it reverts to the subject of appointments of limited duration at future sessions. The Committee reiterates its view that there should be a unified common system approach to these arrangements and that this matter should be submitted to ICSC, which could make recommendations as appropriate to the General Assembly, in light of the central role of the Assembly with regard to the elaboration of the conditions of service of the United Nations common system.

19. In paragraphs 35 and 36, the Administrator reports on certain reserves established, pursuant to Governing Council decision 93/35, paragraph 18, by which the Council recognized "that the smooth implementation of the proposed budget strategy entails transitional costs". The Advisory Committee notes that the first reserve would be established at $6.4 million for separations budgeted in 1992-1993 but not actually effected during the financial period. The proposal to establish this reserve derives from a recommendation of the Board of Auditors (A/48/5/Add.2, para. 53). The Board considered it more appropriate to disclose the earmarking of funds in respect of proposed staff separations through the setting-up of a reserve than by obligating the funds against the resources of the 1992-1993 biennial budget since the separations concerned had not been formally agreed at 31 December 1993. The second reserve, the Committee was informed, would be established to meet transition costs associated with the smooth implementation of the 1994-1995 budget strategy. Accordingly, this reserve would be set up at $7.2 million, as approved by the Governing Council (decision 93/35, para. 19), to apply the "savings earned in 1993 up to ceiling of 1.5 per cent of the 1992-1993 core appropriation" to fund systems development (including work related to the implementation of the Integrated Management Information System (IMIS)), training and other related costs that underlie many of the staff reductions (DP/1993/45, para. 141).

20. The Board of Auditors reported that as at 31 December 1993, only $3.6 million had been allocated from the reserve of $7.2 million for the specific purpose of meeting transition costs and that UNDP had not determined precisely how the remaining funds were to be utilized (A/48/5/Add.1, para. 55). The Advisory Committee agrees with the Board of Auditor's recommendations that, since the establishment of reserves requires formal approval by the Executive Board, the Executive Board may wish to confirm its agreement to the establishment of these reserves, indicating the length of time the funds should remain available for utilization.

21. With regard to trust funds established by the Administrator in 1993 and prior years (DP/1994/34/Add.2 and Add.3), the Advisory Committee notes that, as at 31 December 1993, from the initial 3 trust funds established by the Administrator in 1982, the number of trust funds has increased rapidly to 75 trust funds and sub-trust funds. In addition, at the end of 1993, there were 77 sub-trust funds established by the Administrator on behalf of 6 trust funds established by the General Assembly (DP/1994/34/Add.2, paras. 4-12).

22. The Advisory Committee recalls the observations of the Board of Auditors in its report on the UNDP financial statements and accounts for the biennium 1992-1993 (A/48/5/Add.1, paras. 77-85) concerning the number of trust funds with deficit balances at the closing of the biennial accounts. Furthermore, the Board has pointed out that many of these trust funds remain inactive, with no operational and financial activity. The Committee was informed by representatives of UNDP of the difficulties in closing down some trust funds and in obtaining reimbursement for support costs provided by UNDP. The Board had noted in this regard that often trust funds rely upon support services covered by UNDP core resources without paying the corresponding support cost, or sometimes as low as 1 per cent of the contribution. The Committee recommends, as indicated by the Board of Auditors, that UNDP review the methodology used to

calculate support costs so as to ensure that the administrative and support costs of trust funds are not subsidized by general resources.

23. The Advisory Committee recommends that UNDP continue its efforts to close down inactive trust funds and to report to the Executive Board, through the Advisory Committee, on the steps taken to streamline the administrative management of trust fund activities, as well as the methodology and the rates to recover support costs from trust funds.